

From: Abhay Padgaonkar
Date: June 23, 2021
Docket: Disconnection Rules (RU-00000A-19-0132); APS Rate Case (E-01345A-19-0236)
Re: **Impact Analysis: Negligible Residential Bill Impact Despite 14 Months of Shutoff Moratorium**

Dear Commissioners:

Staff's impact statement¹ filed on June 18 confirms that the actual write-offs for APS were exactly as noted in my April filings. More importantly, an analysis of the amounts in Staff's report confirms that the additional rate impact from shutoff moratoriums has been insignificant, also as I had advised the Commission.^{2,3}

It's important to remember that the shutoff moratorium for APS was in effect from June 1-October 15, 2019 (Pullman) and again from March 13-December 31, 2020 (Pandemic). Despite the shutoff moratorium being in effect for 14 out of the prior 19 months, Staff's Table 3 shows that the actual write-off amounts were extremely low: \$9 million for APS and \$2.8 million for TEP in 2020. Even so, these amounts do not represent the full rate impact. That's because the utilities were already recovering approved uncollectible expense through existing rates: \$4.1 million by APS and \$2.6 million by TEP (Staff's Table 4). In short, the "additional" write-off amount exceeding the approved expense in 2020 — DESPITE an unprecedented 14 months of shutoff moratorium — was only \$4.9 million for APS and \$0.2 million for TEP. So what is the rate impact?

For APS, the \$4.9 million additional write-off amount represents a rate increase of \$0.000175 per kWh, resulting in a monthly bill impact of \$0.19 or a miniscule 0.13% residential bill impact even after long shutoff moratoriums lasting 14 months in 2019-2020. For TEP, the residential bill impact was a microscopic 0.02%.

Line	DISCONNECTION RULES BILL IMPACT	APS	TEP	Calculation
1	Actual Write-off (\$)	\$9,022,000	\$2,842,761	Staff Table 3
2	Approved Write-off (\$)	\$4,100,000	\$2,633,738	Staff Table 4
3	Add'l Write-off (\$)	\$4,922,000	\$209,023	L1 - L2
4	Total Sales (kWh)	28,147,640,121	8,744,022,945	
5	Rate Increase Due to Add'l Write-off (\$/kWh)	\$0.000175	\$0.000024	L3/L4
6	Avg Monthly Residential Use (kWh)	1,064	796	
7	Avg Monthly Bill Impact (\$)	\$0.19	\$0.02	L5*L6
8	Avg Monthly Residential Bill (\$)	\$140	\$97	
9	Residential Bill Impact (%)	0.13%	0.02%	L7/L8

It is unclear why the utilities are permitted to record uncollectable expenses "for Regulatory Purposes" (Staff Table 2) that were several times higher than the actual write-off amounts. It is obvious, however, after analyzing the trend over 2018-2020 in Staff Tables 1-3 that the utilities have engaged in fearmongering by creating a false diversion with temporarily high arrearages (Staff Table 1) and overestimated bad debt (Staff Table 2) — neither of which has any relationship to the actual write-offs incurred (Staff Table 3). As I have stated before, very few customers can stiff the electric utility and get away with it — shutoff moratorium or not. But customers like Stephanie Pullman have died and will continue to die in the brutal heat unless protected by strong shutoff moratorium criteria in the revised disconnection rules.

The utilities and several stakeholders including RUCO, Wildfire, and PIRG have fixated on the wrong metric (i.e. arrearages), carped about the rate impact, and fearmongered about "unintended consequences." RUCO's recent reckless comments⁴ perpetuate those same myths by raising the same worthless questions about goals, tradeoffs, and rate impact. Does RUCO really believe that deaths and widespread misery from summer shutoffs is a desirable and intended consequence compared to a few cents of bill impact to protect public health and safety? And in case the Henny-Penny brigade is going to claim that the worst is yet to come, APS has reported that "the number of customers in arrears and the number of customers with past due amounts greater than \$300 have all decreased in the first quarter" of 2021.⁵

The definitive analysis presented here — based on actually incurred vs. approved write-off amounts as reported in Staff's impact statement, should put to rest any hypothetical concerns about the rate impact as a result of the revised disconnection rules, thereby making the rate impact argument moot.

¹ Staff's Impact Statement filed on June 18, 2021 at: <https://docket.images.azcc.gov/E000014093.pdf>

² "FEARMONGERING: Actual Uncollectibles Expense Represents a Miniscule \$0.7 Million Increase" at: <https://docket.images.azcc.gov/E000012960.pdf>

³ "Disconnection Bogyman: Do not fall for the utilities' fearmongering about the rate impact" at: <https://docket.images.azcc.gov/E000012776.pdf>

⁴ RUCO comments filed on June 21, 2021 at: <https://docket.images.azcc.gov/E000014122.pdf>

⁵ Summary of APS Stakeholder Meeting on April 12, 2021 at: <https://docket.images.azcc.gov/E000014088.pdf>